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December 11, 1995

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William F. Caton, Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

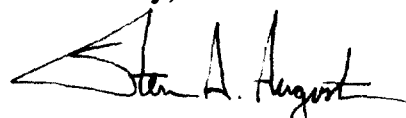
Re: CC Docket No. 92-77
Billed Party Preference for 0+ InterLATA Calls

Dear Mr. Caton:

On Friday, December 8, 1995, Genny Morelli, Jim Smith, Danny Adams and myself met, separately, with Richard K. Welch, Legal Advisor to Commissioner Chong and also with Regina M. Keeney, Chief of the Common Carrier Bureau, Mary Beth Richards, John Muletta, Patrick Donovan, and Larry Atlas from the Bureau office.

The purpose of both meetings was to discuss CompTel's opposition to billed party preference and its support for the Coalition rate ceiling alternative. The attached materials were discussed at the meetings.

Sincerely,


Steven A. Augustino

SAA:lh
enclosure

cc: Gina Keeney
Larry Atlas
Mary Beth Richards
John Muletta
Patrick Donovan
Richard K. Welch

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Ex Parte Presentation

Billed Party Preference for 0+ InterLATA Calls
CC Docket No. 92-77

The Competitive Telecommunications Association

December, 1995

THE COALITION RATE PROPOSAL IS SIMPLE AND EFFECTIVE

- A broad coalition of industry participants supports a rate ceiling as an alternative to BPP. The coalition proposing the rate ceiling included CompTel, Bell Atlantic, NYNEX, BellSouth, US West, and the American Public Communications Council.
- The rate ceiling alternative proposes a series of maximum end-user charges (based on the duration of the call) at or below which an OSP's rates will be presumed lawful. These charges begin at \$3.75 for all call types except person-to-person calls, and increase to a maximum of \$7.00 for a nine-minute call. Person-to-person maximums are \$1.00 higher than all other call types.
- The proposed maximum rates are easy to apply. The proposal does not require application of time-of-day, distance, call type (except person-to-person), or other factors which may make monitoring or enforcement costly or burdensome.
- Rate ceilings can be implemented promptly.
- Rate ceilings will require only minimal expense to implement.
- Rate ceilings can be monitored by the Commission with the assistance of a simple billing report from the LECs.

**THE RATES PROPOSED BY THE COALITION ARE COMPARABLE WITH OTHER
CUSTOMARY AND ACCEPTED AWAY-FROM-HOME CALL ALTERNATIVES**

- Person-to-person call maximums are less than AT&T daytime rates for a 1 minute call and exceed AT&T rates by 9 percent or less for other call durations.
- Maximum rates for other call types are lower than charges for some "big three" IXC's, many hotel direct dial rates, cellular telephone rates, and intrastate rate caps.
- Maximum rates are within a range of reasonable call alternatives. When all end user fees are included (such as hotel-imposed surcharges for local and dial-around calls), rate ceiling maximums are within 50 percent of comparable AT&T operator assisted rates.

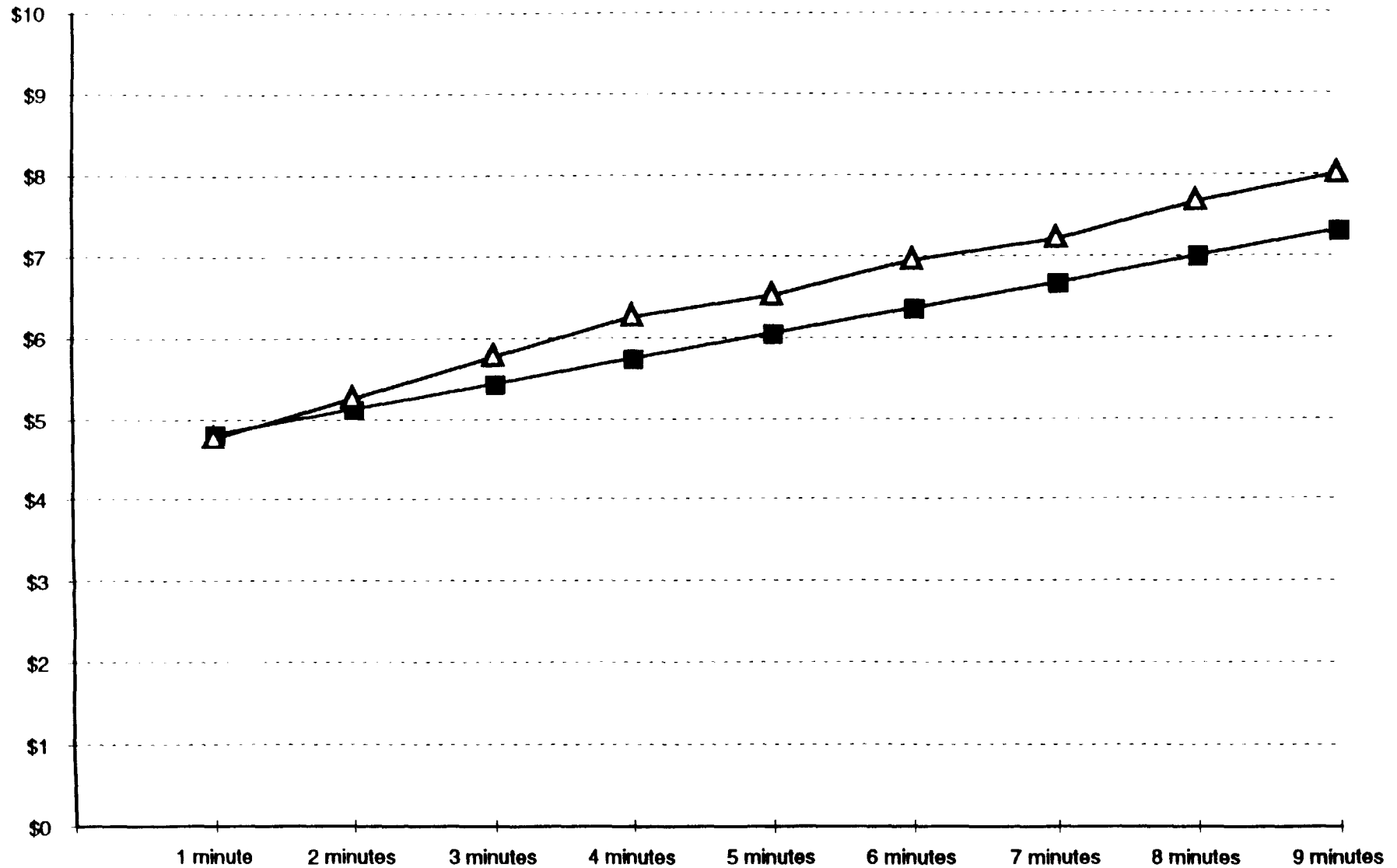
**THE COALITION PROPOSED RATE CEILINGS WILL ALLEVIATE CONCERNS
OVER HIGH OSP RATES WITHOUT THE EXPENSE, INCONVENIENCE,
CONFUSION OR DELAY OF BPP OR OTHER ALTERNATIVES**

- As measured by a CompTel survey of large billing clearinghouses, consumers could save in excess of \$200 million annually if the Coalition Rate Ceiling Proposal is adopted and OSPs with rates above the rate ceilings lower their rates to the benchmarks.
- The rate ceilings would achieve two-thirds or more of the claimed consumer savings from BPP, without the nearly \$2 billion BPP would cost to implement.
- The rate ceiling would target regulatory scrutiny toward those OSP calls with the highest rates. OSP calls currently billed at above benchmark rates exceeded the rate ceiling by an average of \$3.91 per call.
- OSP calls billed at rates at or below the benchmark averaged only \$3.36 per call. Such calls are not a significant source of consumer complaints and few additional savings would be achieved by targeting these calls as well.
- BPP is an extremely regulatory option, requiring a major overhaul of operator service call routing. The Coalition Rate Ceiling Proposal, by contrast, is virtually self-policing.
- BPP would create a new LEC monopoly in operator service initial call routing at a time when the Commission is trying to open the local market to more competition.
- The NAAG "kill message" proposal would delay every call by several seconds or more, and would confuse many callers with its vague and possibly inaccurate disclosures.

**ACCORDINGLY, COMPTTEL URGES THE COMMISSION TO ADOPT THE
COALITION RATE CEILING INSTEAD OF THE BILLED PARTY
PREFERENCE PROPOSAL AND TO TERMINATE THIS DOCKET**

Person to Person Rate Comparison

CC Docket No. 92-77
December 1995



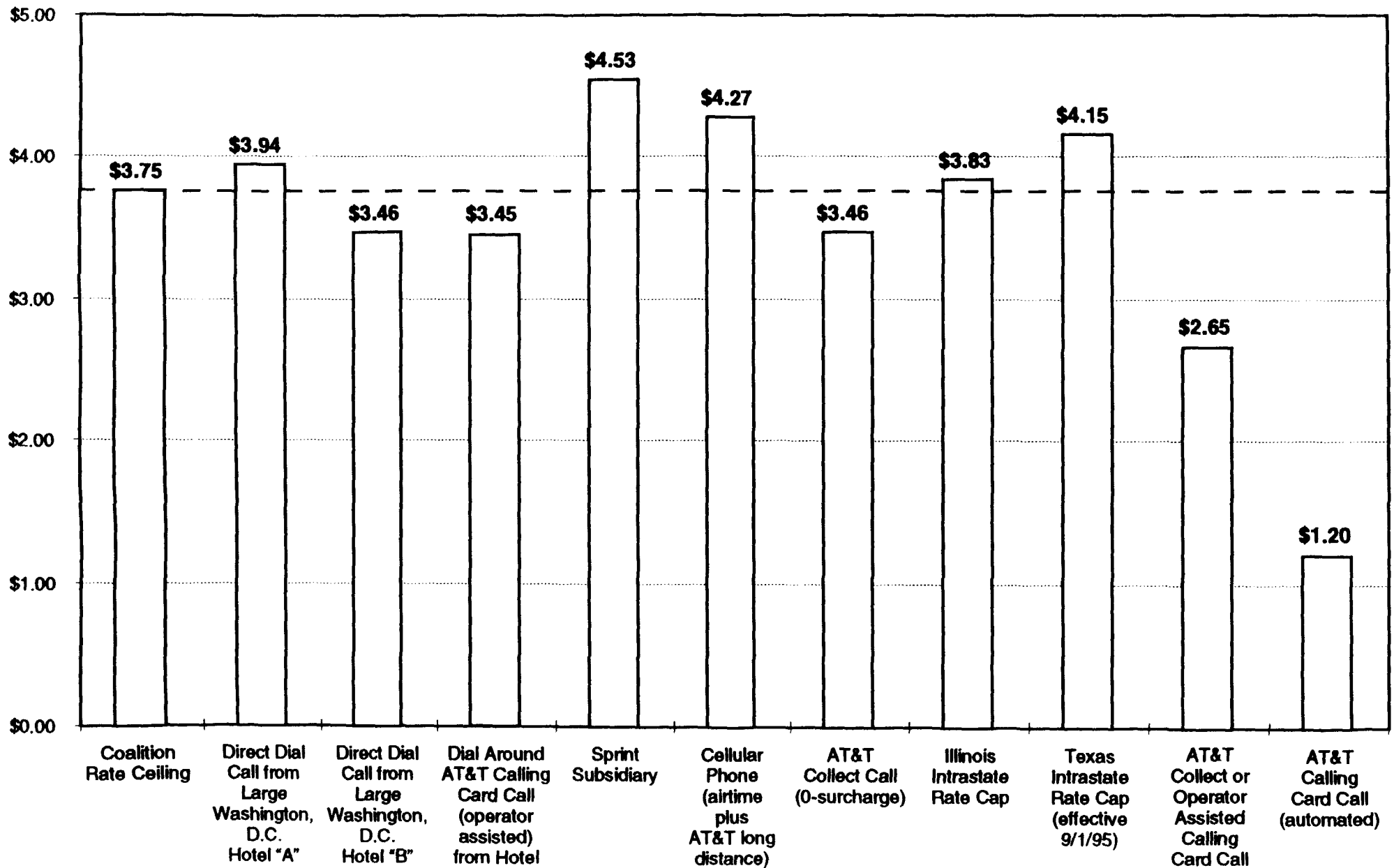
—△— Coalition Rate Ceiling
—■— AT&T Person to Person Rates*

* AT&T daytime rates, 926-1910 or 1911-3000 mile distance as of June 1995. Assumes call is billed to a LEC calling card.

Away From Home Call Alternatives

1 Minute Calls

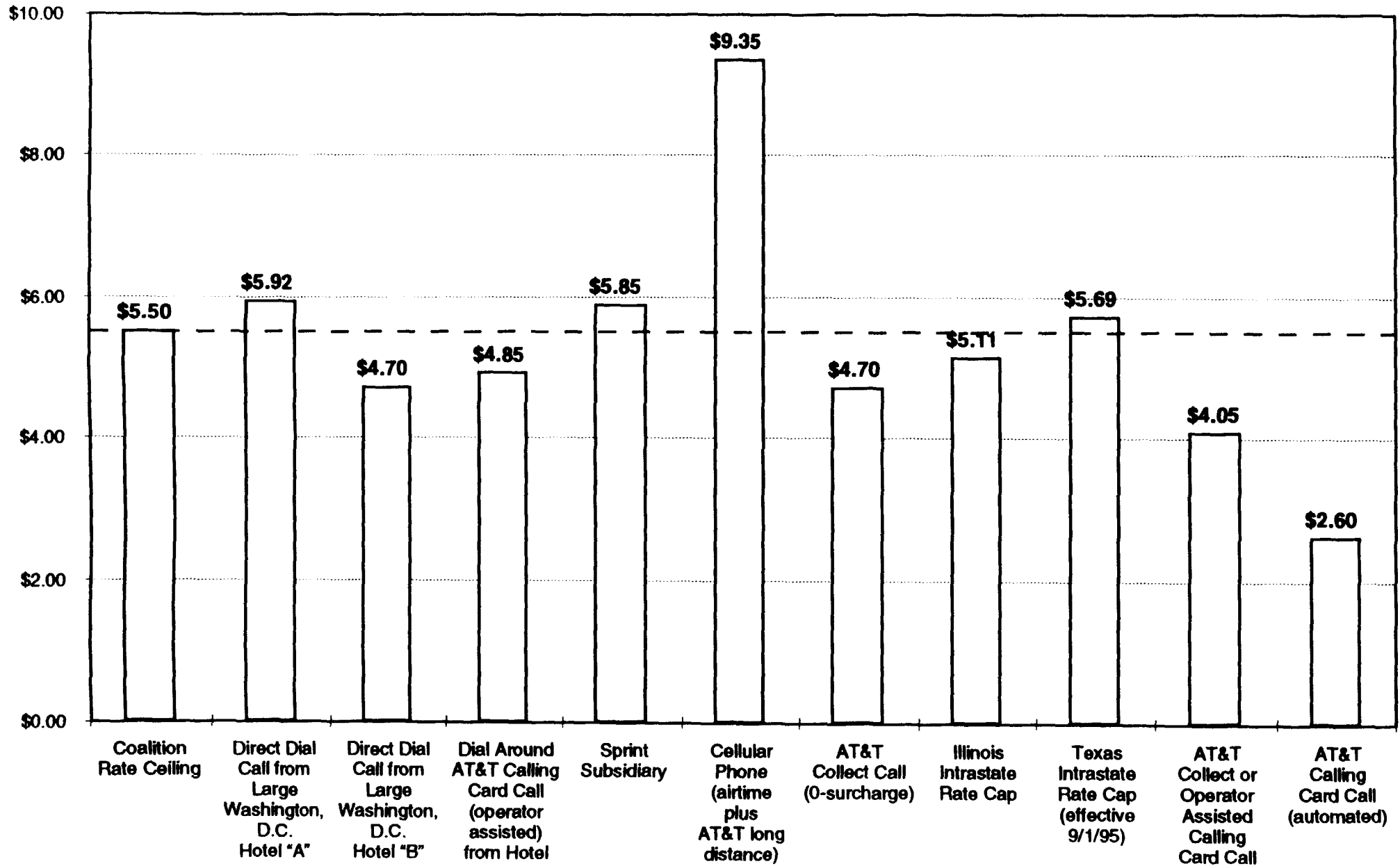
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Away From Home Call Alternatives

5 Minute Calls

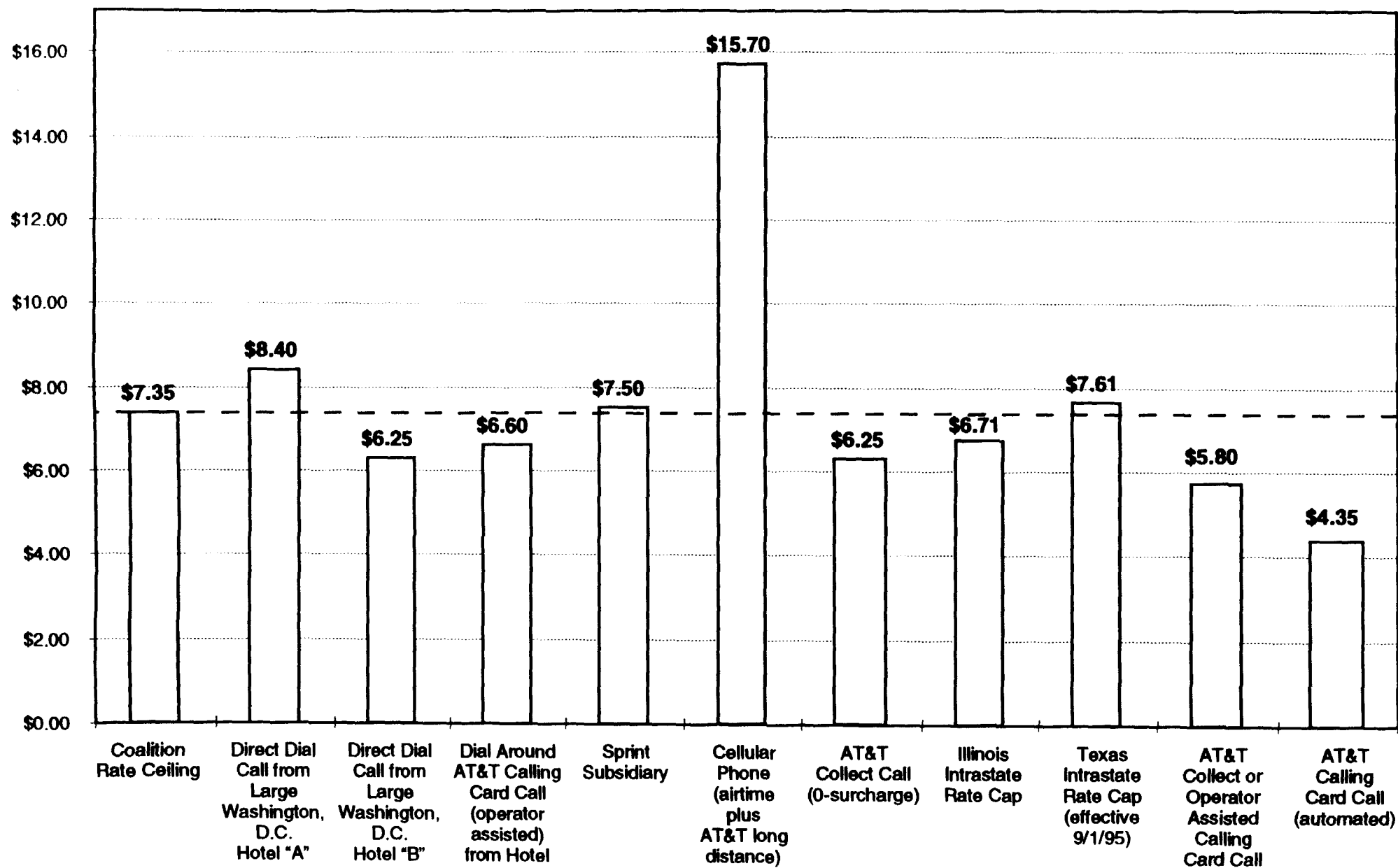
CC Docket No. 92-77
December 1995



Away From Home Call Alternatives

10 Minute Calls

CC Docket No. 92-77
December 1995



SOURCES

1. Hotel "A" The Washington Court Hotel, as reported in a telephone survey. The hotel stated that its direct dial rates equal AT&T operator assisted daytime charges plus a 60% surcharge. Charges are rounded to the nearest penny.
2. Hotel "B" The Ritz Carlton Hotel, as reported in a telephone survey. The hotel stated that its direct dial rates equal AT&T operator assisted daytime charges plus a \$1 surcharge.
3. AT&T charges All AT&T charges were derived from AT&T Tariff F.C.C. No. 1, Commercial Long Distance Service, at daytime rates for a 926-1910 or 1911-3000 mile call. Charges effective November 16, 1995.
4. Dial Around AT&T
Calling Card Call
(operator
assisted) from
Hotel AT&T charges (see above) plus a hotel surcharge of \$0.80 per call. Survey of Washington, D.C. area hotels reported surcharges ranging from \$0.75 to \$1 per call.
5. Sprint subsidiary ASC Telecom tariffed rates as of April 5, 1995. Charges are calculated according to Rate Schedule 2, which ASC estimated would be the rate for 50% of its minutes. Charges are those applied to a daytime 0+ LEC calling card call for a 1911-3000 mile call distance.
6. Cellular phone Charges in effect in June 1995 for a Cellular One mobile phone used on a roamer basis in non-SWBC mobile territories. Calls are billed at \$0.99 per minute plus a \$3 per day roaming fee plus AT&T's daytime dial station rate.
7. AT&T Collect Call
(0- surcharge) AT&T collect rates (see above) plus \$1 per call operator dialed surcharge.
8. Illinois
Intrastate Rate
Cap Illinois Commerce Commission rules \$ 771.605. Charges calculated for 0- call in the 125-292 mile rate band.
9. Texas Intrastate
Rate Cap Rate cap became effective September 1, 1995. Charges calculated for a 0- call in the 125-292 mile rate band. Charges are rounded to the nearest penny.

WASHINGTON D.C. HOTEL TELEPHONE CHARGES

| Hotel | Local Calls | 800 # Calls | Calling Card | Direct Dial Long Distance Calls | OSP |
|------------------|-------------|-------------|--------------|---------------------------------|------|
| Capital Hilton | .90¢ | NC | .90¢ | \$1.50 + AT&T rates | AT&T |
| Grand | .95¢ | ** | .95¢ | 20% + AT&T rates | AT&T |
| Grand Hyatt | .75¢ | .75¢ | .75¢ | .75¢ + AT&T rates | AT&T |
| Hilton & Towers | .85¢ | NC | NC | AT&T rates | AT&T |
| Hyatt Regency | .75¢ | .75¢ | .75¢ | .75¢ + .20¢/min. | AT&T |
| Loew's L'Enfant | \$1.00 | \$1.00 | \$1.00 | \$1.00 + AT&T rates | AT&T |
| Madison | .90¢ | .90¢ | .90¢ | .90¢ + AT&T rates | AT&T |
| Mayflower | .85¢ | NC | NC | \$2.00 + AT&T rates | AT&T |
| Omni Shoreham | .75¢ | NC | NC | AT&T rates | AT&T |
| Park Hyatt | .75¢ | .75¢ | .75¢ | \$1.75 + AT&T rates | AT&T |
| Ritz-Carlton | \$1.00 | \$1.00 | \$1.00 | \$1.00 + AT&T rates | AT&T |
| Sheraton | .75¢ | NC | NC | 55% + AT&T rates | AT&T |
| Washington Court | \$1.00 | \$1.00 | \$1.00 | 60% + AT&T rates | AT&T |

NC = No charge

** = Rate under reconsideration

Notes: Survey conducted June 14-16, 1995 via telephone interview.

**Comparison of AT&T Rates with
Coalition Rate Ceiling Proposal**

| | | Duration | | | | | | | | |
|---------------------|--|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | 1 minute | 2 minutes | 3 minutes | 4 minutes | 5 minutes | 6 minutes | 7 minutes | 8 minutes | 9 minutes |
| Calling Card Calls | AT&T Automated Operator* | 1.20 | 1.55 | 1.90 | 2.25 | 2.60 | 2.95 | 3.30 | 3.65 | 4.00 |
| | AT&T Operator Assisted Calling Card | 2.65 | 3.00 | 3.35 | 3.70 | 4.05 | 4.40 | 4.75 | 5.10 | 5.45 |
| | AT&T Automated Operator with Common Hotel Surcharge** | 2.00 | 2.35 | 2.70 | 3.05 | 3.40 | 3.75 | 4.10 | 4.45 | 4.80 |
| Rate Cap Proposal | Coalition Rate Ceiling | 3.75 | 4.25 | 4.75 | 5.25 | 5.50 | 5.95 | 6.20 | 6.65 | 7.00 |
| Live Operator Calls | AT&T Collect | 2.65 | 3.00 | 3.35 | 3.70 | 4.05 | 4.40 | 4.75 | 5.10 | 5.45 |
| | AT&T Billed to Third Number | 2.65 | 3.00 | 3.35 | 3.70 | 4.05 | 4.40 | 4.75 | 5.10 | 5.45 |
| | AT&T Collect Call (0- Surcharge) | 3.65 | 4.00 | 4.35 | 4.70 | 5.05 | 5.40 | 5.75 | 6.10 | 6.45 |
| | AT&T Collect Call with 0- Surcharge and Common Hotel Surcharge | 4.45 | 4.80 | 5.15 | 5.50 | 5.85 | 6.20 | 6.55 | 6.90 | 7.25 |

* All AT&T charges are calculated at Commercial Long Distance Service, daytime rates for a 1911-3000 mile call distance (effective November 16, 1995). Unless otherwise specified, charge assumes a LEC calling card is used.

** Uses hotel surcharge rate of \$0.80/call.

REVISED

***THE COALITION RATE CEILING ALTERNATIVE TO
BILLED PARTY PREFERENCE***

***A Study of Consumer Savings
Resulting from the Coalition Rate Ceiling***

Prepared By:
The Competitive Telecommunications Association
1140 Connecticut Avenue, N.W.
Suite 220
Washington, D.C. 20036

December 1995

I. Methodology

II. Methodology

This study is based upon data obtained from three large billing clearinghouses, which process operator assisted call records for billing through local telephone companies. The companies providing data for this study bill or process an estimated 80 percent of operator assisted calls completed by OSPs other than AT&T, MCI or Sprint.

The study sample consisted of interstate operator assisted calls placed during the month of May 1995 and billed thereafter. Each billed call of 15 minutes or less in duration was compared to the non-person-to-person maximum rates proposed by the Coalition.¹ Billed calls with durations longer than 15 minutes were not included in the study. Calls were then divided into two categories: (1) those billed at or below the proposed maximum rates and (2) those billed at rates exceeding the proposed maximums. Billed calls exceeding the proposed maximums were then re-rated to the Coalition's proposed rates and the difference between the billed charge and the re-rated charge was calculated.

¹ Ex parte notice from Genevieve Morelli, et al., CC Docket No. 92-77, March 8, 1995.

III. Results

The following tables summarize the results of the study:

Table 1: Summary of All Calls Before Re-Rating

| Total Number of Calls Studied | Total Billed Charges | Number of Calls at or Below the Coalition Maximum Rates | Billed Charges for Calls at or Below the Coalition Maximum Rates | Number of Calls Exceeding the Coalition Maximum Rates | Billed Charges for Calls Exceeding the Coalition Maximum Rates |
|-------------------------------|----------------------|---|--|---|--|
| 8,001,562 | \$50,218,479 | 4,323,848 | \$14,513,399 | 3,677,714 | \$35,705,080 |

Table 2: Re-Rating of Calls Billed at Rates Exceeding the Maximum

| Number of Calls | Original Billed Amount | Amount Billed if Re-rated to the Coalition Maximum Rates | Consumer Savings | Average Savings Per Call |
|-----------------|------------------------|--|------------------|--------------------------|
| 3,677,714 | \$35,705,080 | \$21,339,157 | \$14,365,923 | \$3.91 |

Table 3: Total Consumer Savings

| Total Amount Originally Billed (all calls) | Amount Billed for Calls Originally at or Below the Coalition Maximum Rates | Re-rated Charges for Calls Originally Exceeding the Coalition Maximum Rates | Consumer Savings (Column 1 minus Columns 2 & 3) | Consumer Savings as a Percentage of Billed Charges |
|--|--|---|---|--|
| \$50,218,479 | \$14,513,399 | \$21,339,157 | \$14,365,923 | 28.6% |

III. Estimate of Annual Savings

Using the assumptions relied upon by the Commission in its FNPRM² annual savings from the Coalition Rate Ceiling Proposal is projected as follows:

- | | |
|---|-----------------|
| 1. 1991 Third Tier OSP revenues: | \$1.2 billion. |
| 2. 1995 revenues, assuming an average annual growth rate of 4.3%: | \$1.42 billion. |
| 3. 1995 revenues with assumed 22% loss of market share by third tier OSPs (assuming third tier OSPs will lose 1/3 of 1991 market share by 1997, at a constant annual rate): | \$1.10 billion. |
| 4. 1995 revenues from interLATA calls (76.2% of #3): | \$838 million. |
| 5. Consumer savings from Coalition Rate Ceiling, as a percentage of interstate revenue: | 28.6%. |
| 6. Annual consumer savings on interLATA calls (#4 x #5): | \$239.7 million |

² Billed Party Preference for 0+ InterLATA Calls, Further Notice of Proposed Rulemaking, 9 FCC Rcd. 3320, 3323 n. 24 (1994).